

## Message Text

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ACTION AGR-20

INFO OCT-01 EUR-25 IO-14 ISO-00 SAJ-01 AID-20 CIAE-00

COME-00 EB-11 FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SP-03 CIEP-03 LAB-06 SIL-01 OMB-01

NSC-07 SS-20 STR-08 CEA-02 L-03 H-03 PRS-01 PA-04

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R 010113Z AUG 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 1666

INFO AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

UNCLAS BRUSSELS 5805

C O R R E C T E D COPY (FOR PARA #7 OMITTED)

PASS AGRICULTURE

E.O. 11652: NA

TAGS: EAGR

SUBJECT: MINISTER LAVEN ANNOUNCES MEASURE TO AID FARMERS

REF: BRUSSELS 5767

1. SUMMARY. AFTERNOON JULY 31 AGMINISTER LAVENS ANNOUN ED A  
SERIES OF MEASURE APPROVED BY THE BELGIAN CABINET TO

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ASSIST FARMERS THROUGH PRESENT CRISIS CAUSED BY FALLING LIVE-

STOCK PRICES AND RISING COSTS OF PRODUCTION AS HE HAD PROMISED FARM ORGANIZATION JULY 18 (SEE REFTTEL). MOST OF THE MEASURES DEMANDED BY FARMERS IN RECENT WEEKS WERE INCLUDED. LAVENS HOPES FARMERS WILL BE SATISFIED BUT TOO EARLY TO HAVE FARMER REACTION. FARM ORGANIZATION MEETING TODAY TO DECIDE WHETHER THESE MEASURES SUFFICIENT. TOTAL COST ESTIMATED AT \$56 MILLION OF WHICH EC EXPECTED TO PAY \$15 MILLION. END SUMMARY.

2. FOLLOWING MEASURES ANNOUNCED WHICH CARRY OUT EC COUNCIL RECOMMENDATIONS OF JULY 16:

(A) SALE OF BEEF AT REDUCED PRICES TO CERTAIN LOW-INCOME CONSUMERS.

(B) SALE OF BEEF AT REDUCED PRICE TO INSTITUTIONS SUCH AS HOSPITALS, ETC.

(C) PROMOTION CAMPAIGN TO STIMULATE MEAT CONSUMPTION.

(D) PREMIUMS FOR DELAYED MARKETING OF LARGE CATTLE (EXCEPT COWS) AT FOLLOWING RATES: SEPTEMBER 1,500 FRANCS; OCTOBER 2,000 FRANCS; NOVEMBER 2,000 FRANCS; DECEMBER 2,500 FRANCS; JANUARY 3,000 FRANCS; FEBRUARY 3,500 FRANCS. (EC SHARE OF COST: NOVEMBER 1,000; DECEMBER 1,250 FRANCS; JANUARY 1,800 FRANCS; FEBRUARY 2,450 FRANCS.)

3. UNDER PROVISIONS OF EC DIRECTIVE FOR MOUNTAIN AGRICULTURE, SUBSIDIES WILL BE PAID FARMERS IN SOUTHEAST BELGIUM TO COMPENSATE THEM FOR CERTAIN ENVIRONMENTAL DISADVANTAGES. PAYMENTS WILL BE BASED ON 2,000 FRANCS PER UNIT OF LARGE CATTLE FOR FIRST 12 UNITS AND 1,500 FRANCS PER UNIT FOR SECOND 12 (A COW EQUALS 0.8 UNIT, 6-24 MONTHS OLD CATTLE 0.6 UNIT.) MAXIMUM OF 10 COWS ARE ELIGIBLE; MAXIMUM TOTAL PAYMENT 35,000 FRANCS.

4. HORTICULTURISTS AND SEA FISHERMAN WILL RECEIVE SUBSIDY OF 0.5 FRANC PER LITER OF HEATING OIL FROM JULY 1-DECEMBER 31, 1974 AND 0.3 FRANC/LITER JANUARY 1-MARCH 31, 1975.

5. BELGIAN GOVERNMENT INTEREST SUBSIDY PROGRAM FOR AGRICULTURAL LOANS FOR RESTRUCTURING FARMS, NEW INVESTMENTS, ETC. IS LIBERALIZED UNCLASSIFIED

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TO PAY 1974 INTEREST RATE REBATE AMOUNTING TO 5 PER CENT OF LOAN ALL IN LUMP SUM IN 1974 INSTEAD OF SPREAD OVER THREE YEARS AS BEFORE.

6. MINISTRY OF ECONOMIC AFFAIRS WILL REVIEW RETAIL SUGAR PRICE DURING AUTUMN IN ORDER TO RELATE RETAIL PRICE TO EC TARGET PRICE INSTEAD OF EC INTERVENTION PRICE WHICH SHOULD PERMIT PAYING HIGHER PRICE TO SUGAR BEET GROWERS FOR BEETS.

7. THE GOVERNMENT WILL GRANT A TEMPORARY REDUCTION (FOR FIVE MONTHS) IN VALUE ADDED TAX (VAT) PAID BY FARMERS ON LIMESTONE, PLANT PROTECTION CHEMICALS, TWINE AND MILK COOLERS.

8. THE GOVERNMENT DECIDED ON PROGRAM OF PAYING PREMIUM OF 1,000 FRANCS A HEAD FOR SLAUGHTERING MATURESOWS BEGINNING SEPTEMBER 1 TO REDUCE HOG PRODUCTION. BELGIAN GOVERNMENT MEANWHILE WILL REQUEST EC TO TAKE MEASURE TO SUPPORT MARKET FOR HOGS.

9. INCLUDING MEASURES TAKEN EARLIER SUCH AS INCREASING VAT PAYMENT TO FARMERS FROM 5.5 TO 6.0 PERCENT ON PRODUCTS SOLD (AS OFFSET TO VAT PAID ON PRODUCTION SUPPLIES PURCHASED), AID TO HORTICULTURE AND FISHERMAN, ETC., TOTAL FINANCIAL COST ESTIMATED BY GOVERNMENT AT 2.2 BILLION BELGIAN FRANCS (ABOUT \$56 MILLION) ABOUT 0.6 BILLION (\$15 MILLION) OF WHICH EXPECTED TO BE PAID BY EC.

10. COMMENT: PRESS EARLIER REPORTED THAT MINISTER LAVENS HAD DISCUSSED PROPOSED MEASURE WITH EC VICE PRESIDENT LARDINOIS BEFORE FINALIZING PROGRAM. REPORTEDLY LARDINOIS AGREED TENTATIVELY PROGRAM NOT CONTRARY TO EC RULES BUT EC COMMISSION WILL REVIEW ALL MEASURES WITHIN 15 DAYS FOR CONFORMANCE EC REGULATIONS. FARMER REACTION TO GOVERNMENT MEASURES NOT YET AVAILABLE ALTHOUGH A FEW HAVE EXPRESSED SOMEWHAT FAVORABLE OPINIONS. FARM ORGANIZATIONS ARE HOLDING A JOINT MEETING AUGUST 1 TO DECIDE WHETHER FARM ORGANIZATIONS ARE SATISFIED WITH GOVERNMENT MEASURES OR SHOULD CONTINUE TO AGITATE FOR MORE RELIEF. FIRESTONE

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